2034 WORKING GROUP AGENDA FOR

WEDNESDAY, AUGUST 5, 2009 AT 9:30AM

Meeting will be at the Hampton Roads Transportation Planning Organization (HRTPO), 723 Woodlake Drive, Chesapeake, VA 23320.

Agenda:

1. **Public comments.**

2. **Transportation system vision plan**
   Candidate projects for the 2034 LRTP were due July 31. They are a key part of the development of the constrained plan and a transportation system vision plan.

3. **Revenues**
   An update will be given on the receipt of revenue forecasts from VDOT. Also, attached is guidance from FHWA regarding fiscal constraint.

4. **Project prioritization**
   An update on the work being performed by Kimley-Horn for developing an improved project prioritization method will be reviewed.

5. **Public outreach**
   The survey conducted this spring/summer was closed on July 6 and results are being analyzed. Additional efforts for public involvement will be reviewed.

6. **Bicycle facility gaps analysis**
   A draft analysis of the region's bicycle network was performed and will be reviewed.

7. **Next meeting.**
   The next meeting is scheduled for Wed., October 7, 2009 following TTAC.

Summary of the June 3, 2009 2034 working group meeting is attached.

HAMPTON ROADS TPO
TRANSPORTATION PLANNING ORGANIZATION

Memorandum

U.S. Department of Transportation
Federal Highway Administration

Subject:	Guidance on Financial Planning and Fiscal Constraint for Transportation Plans and Programs	Date:	**April 17, 2009**
From:	Gloria Shepherd, Associate Administrator Planning, Environment and Realty, FHWA	Reply to Attn. of :	HEPP-10
To:	Division Administrators, Division Engineers and Division Planners		

The purpose of this message is to forward to you the recently completed guidance on Financial Planning and Fiscal Constraint for Transportation Plans and Programs. Fiscal constraint of Metropolitan Transportation Plans and Statewide and Metropolitan Transportation Improvement Programs is a cornerstone of the Statewide and Metropolitan Transportation Planning Final Rule issued on February 14, 2007. Fiscal constraint has been with us since the passage of the ISTEA in 1991 and has been continued with the passage of each subsequent transportation act, up to and including the passage of SAFETEA-LU on August 10, 2005.

This guidance is in a question and answer format. It is intended to provide non-binding information on financial planning and fiscal constraint as part of transportation plan and program development. It does not establish additional prescriptive mandates; rather, it outlines the wide range of transportation planning and programming processes and practices undertaken by state DOTs, metropolitan planning organizations (MPOs), and public transportation operators, and offers a range of options under a variety of circumstances.

We welcome any comments or questions you might have on the guidance. Please contact your assigned headquarters Planning Oversight and Stewardship Liaison with any comments or questions you may have or contact Harlan Miller, Harlan.Miller@dot.gov, at (202) 366-0847.

- Attachment

Financial Planning and Fiscal Constraint for Transportation Plans and Programs Questions & Answers

I. Introduction and Background:

Fiscal constraint has remained a key component of transportation plan and program development since enactment of the Intermodal Surface Transportation Efficiency Act (ISTEA) in 1991 followed by the Transportation Equity Act for the 21st Century (TEA-21) in 1998 and most recently by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) on August 10, 2005. In response to the passage of SAFETEA-LU, FHWA and FTA developed and issued the Final Rule on statewide and metropolitan transportation planning and programming processes, published in the *Federal Register* on February 14, 2007 with an effective date of March 16, 2007.

The following "Questions and Answers" are intended to provide non-binding information on financial planning and fiscal constraint as part of transportation plan and program development, in support of the FHWA/FTA Final Rule on statewide and metropolitan transportation planning and programming processes. This information does not establish additional prescriptive requirements; rather, it outlines the wide range of transportation planning and programming processes and practices undertaken by State DOTs, metropolitan planning organizations (MPOs), and public transportation operators, and offers a range of options under a variety of circumstances. As such, this information is not presented in a regulatory framework, rather, these "Questions and Answers" highlight some (but not necessarily all) of the options currently available to State DOTs, MPOs, and public transportation operators in meeting financial planning and fiscal constraint requirements in transportation planning and programming.

II. Questions and Answers:

General Information and Key Terms and Definitions

1. What are the differences between future revenue sources that are "reasonably expected to be available" and those that are "available" or "committed?"

Revenue forecasts that support a Statewide Transportation Improvement Program (STIP), metropolitan transportation plan, or a metropolitan Transportation Improvement Program (TIP) may take into account new funding sources and levels of funding not currently in place, but which are "reasonably expected to be available" [see 23 CFR 450.216(m), 23 CFR 450.322(f)(10)(ii), and 23 CFR 450.324(h), respectively]. New funding sources are revenues that do not currently exist or that may require additional actions before the State DOT, MPO, or public transportation operator can commit such funding to transportation projects. In addition, future revenues may be projected based on historic trends, including consideration of past legislative or executive actions. To be considered "reasonable," the financial information and financial plans that accompany the TIP, STIP, and metropolitan transportation plan must identify strategies for ensuring the availability of these new revenue sources in the years when they are needed for project development and implementation [see 23 CFR 450.216(m)].

In air quality nonattainment and maintenance areas, the fiscal constraint requirements are more stringent. To support air quality planning under the Clean Air Act, as amended in 1990, the U. S. Environmental Protection Agency's transportation conformity regulations specify that an air quality conformity determination can only be made on a fiscally constrained metropolitan transportation plan and TIP in air quality nonattainment and maintenance areas consistent with DOT's metropolitan planning regulations[see 40 CFR 93.108].

Relative to STIP/TIP development in air quality nonattainment and maintenance areas, projects included in the first two years of the STIP and TIP shall be limited to those for which funds are "available" or "committed" [see 23 CFR 450.216(m) and 23 CFR 450.324(i), respectively]. Definitions for the terms "available funds" and "committed funds" are contained in 23 CFR 450.104. Therefore, nonattainment and maintenance areas may not rely upon proposed new taxes or other new revenue sources to support projects listed in the first two years of the TIP and STIP. As such, new funding from a proposed gas tax increase, bonding, a proposed regional sales tax, or a major funding increase still under consideration would not qualify as "available" or "committed" until it has been enacted by legislation or referendum. However, for the third and fourth years, the STIP/TIP may include a project or project phase if full funding can reasonably be expected to be available for the project within the time period contemplated for its completion.

For information on treatment of public-private partnerships and other innovative financing mechanisms, see Q&A 11.

2. What are some examples of "reasonable" and "not reasonable" revenue forecast assumptions?

Determining whether a future funding source is "reasonable" requires a judgment decision. Two important considerations in determining whether an assumption is "reasonable" are: (a) evidence of review and support of the new revenue assumption by State and local officials and (b) documentation of the rationale and procedural steps to be taken with milestone dates for securing the funds. Albeit not all-inclusive, some examples of "reasonable" and "not reasonable" assumptions are highlighted in the following table. Additionally, please note that the examples labeled "reasonable" do not necessarily meet the special test of "available funds" or "committed funds" (see above Q&A #1).

Reasonable	A new toll or other user fee dedicated to a particular project or program may be reasonable if there is clear evidence of support by the Governor, legislature, and/or other appropriate local/regional decision-makers and a strategy exists with milestones for securing those approvals within the time period for implementing the affected projects.
Reasonable	A new tax for transportation purposes requiring local and/or State legislation and/or support from the Governor is reasonable if there is clear evidence of sufficient support (both governmental and public) to enact the new tax and a strategy exists for securing those approvals within the time period for implementing the affected projects.
Reasonable	If a State or local jurisdiction has past historical success in incrementally increasing gas taxes for transportation purposes, it is reasonable to assume that this trend (and the historic rate of increase) over a comparable period of time will continue.
Reasonable	A new bond issue for a particular project or program may be reasonable if there is clear evidence of support by the legislature, Governor and/or other appropriate decision-makers and a strategy exists with milestones for securing those approvals within the time period for implementing the affected projects or program.
Reasonable	If a transit operator has past historical success in incrementally increasing transit fares, it is reasonable to assume that this trend (and the historic frequency of increase) over a comparable period of time will continue.
Reasonable	If a transit operator that has never received discretionary major capital transit (e.g. New Starts) funding in the past proposes a major capital transit project for inclusion in the metropolitan transportation plan, it could be reasonable if a strategy with milestones is presented for satisfying the FTA program requirements. For example, in conducting an alternatives analysis to determine a locally preferred alternative (LPA) the LPA must be adopted into the metropolitan transportation plan as a means for solidifying candidacy for New Starts project development (i.e. preliminary engineering, final design, and receipt of a Full Funding Grant Agreement).
Not Reasonable	Assuming new funds from an upcoming Statewide, regional, or local ballot initiative would not be reasonable if polls indicate a strong likelihood of defeat or there is a history of repeated defeat of similar ballot initiatives in recent years. However, this assumption could be reasonable if a new strategy has been developed to achieve success where past attempts have failed, and is supported by State and/or local decision-makers.
Not Reasonable	A 25 percent increase in gas tax revenues over five years is not reasonable if the growth over the previous five years was only 15 percent. However, special circumstances may justify and support a significantly higher increase than the historic rate, provided there is clear evidence of support from State and/or local decision-makers.

Not Reasonable	An assumption that a single metropolitan area will receive funding for multiple large-scale transportation projects under a federal discretionary program (e.g., FTA's New Starts) is not reasonable if the assumption would result in that one metropolitan area receiving a disproportionately high percentage of the total national program dollars.

Revenue Projection and Cost Estimation Methods

3. To what extent can future Federal program funds be assumed when developing metropolitan transportation plans, TIPs and STIPs, particularly beyond the current authorization in SAFETEA-LU that ends at the end of FY 2009?

When the horizon year for the metropolitan transportation plan or the TIP/STIP period extends beyond the current authorization period for federal program funds, "available" funds may include an extrapolation based on historic authorizations of Federal funds that are distributed by formula. For Federal funds that are distributed on a discretionary basis (including FTA's New Starts, earmarks, and other congressionally-designated funding), any funding beyond that currently authorized and targeted to the area may be considered as reasonably available, if past history supports such funding levels.

Therefore, when determining future year authorizations/apportionments, a growth rate estimated on the basis of previous authorizations can be used to approximate the future annual growth rate of Federal authorizations. For example, since SAFETEA-LU authorized Federal transportation programs for Federal Fiscal Years (FY) 2005 to 2009, funding beyond FY 2009 could be estimated based upon the growth rate over the prior five years.

Upon the enactment of new authorizing legislation, State DOTs (in cooperation with MPOs and public transportation operators) should use the actual authorization levels and individual discretionary project funding amounts in the development of a metropolitan transportation plan, TIP, or STIP.

4. How should Federal and non-Federal funding sources be reflected in the TIP and STIP?

All projects and programs funded under Title 23 and 49 (of the U.S. Code) must be listed in the TIP/STIP [see 23 CFR 216(g)]. There is an important distinction, however, between the specific projects listed in the TIP/STIP and the financial plan and information that accompany and support the TIP/STIP. Highway and transit operations and maintenance (O&M) activities typically do not involve Federal funds, and are therefore are not required to be listed individually in a metropolitan transportation plan, TIP, or STIP.

For example, with the exception of Federally-supported transit operating costs in urbanized areas with populations less than 200,000, and Federally supported preventive maintenance in areas with more than 200,000 in population, transit O&M activities are funded by a variety of non-Federal sources (e.g. States, localities, as well as advertising and fares). While these non Federal sources are not included in the project listings of the TIP/STIP, this important information is needed to demonstrate how the transit operator and other Federal funds recipients in a metropolitan area and/or State will operate and adequately maintain the programmed Federal capital investments and should be provided in the financial plan and supporting information accompanying the TIP/STIP. Similarly, non-Federal highway system O&M costs do not have to be included in the project listings of the TIP/STIP, but should be provided in the financial plan and supporting information accompanying the TIP/STIP. It is acceptable to present non-Federal O&M costs and their funding sources at a systems-level of detail (e.g. for highways by highway functional classification). In the event that a proposed transit system expansion project has been approved for entry into the FTA planning and project development process (for preliminary engineering, final design, project development, etc.), the system wide operating and maintenance costs should be consistent between the TIP/STIP and the financial plan submitted for FTA project approvals.

The Federal funding reflected in the TIP and STIP (and the supporting financial plan) for projects/project phases may be based on authorization levels for each year, although obligation authority limitations may be utilized for a more conservative approach. In addition, for Federally-funded projects, the project-specific portion of the STIP/TIP must identify the source(s) of Federal and non-Federal funding by year [see 23 CFR 450.216(i)(3) and 23 CFR 450.324(e)(3), respectively].

The cumulative total of the State and Federal funds in the TIPs and STIP should not exceed, on an annual basis, the total State and Federal funds reasonably available to the State.

5. To what extent should cost and revenue estimates be reflected in year of expenditure (YOE) dollars?

As outlined in the FHWA/FTA Final Rule on statewide and metropolitan transportation planning and programming (published February 14, 2007), cost and revenue estimates for the STIP, metropolitan transportation plan, and TIP must use an inflation rate(s) to reflect "year of expenditure dollars," based on reasonable financial principles and information, developed cooperatively by the State DOT, MPOs, and public transportation operators [see 23 CFR 450.216(l), 23 CFR 450.322(f)(10)(iv), and 23 CFR 450.324(h), respectively]. Past trends suggest that it may not be reasonable to use the same inflation rates for forecasting costs and revenues. Future project costs generally will be tied to construction cost indices, while revenue forecasts track more closely with past trends in tax receipts and cost of living indices.

The use of YOE may reveal that revenue growth is insufficient over time to accommodate the effects of inflation on costs for construction, operations, and maintenance, of highway and transit projects and programs. In these cases, additional sources of revenue may be needed, or certain projects in the STIP, TIP, and/or the metropolitan transportation plan may need to be scaled back, delayed or removed to bring the costs of the highway and transit projects or program in line with revenue projections.

6. Is there a recommended inflation rate(s) for cost estimates as part of fiscal constraint for metropolitan transportation plans, TIPs, and STIPs?

When State and/or local cost data are available, States and MPOs are encouraged to use them to develop cost inflation indices. Local historic cost data and experience with cost inflation are valuable data sources for use in projecting future rates.
In the absence of State and/or local data, FHWA and FTA would be comfortable if State DOTs and MPOs utilize an annual inflation rate of four percent for *project costs*. Because circumstances may vary from State-to-State, from region to region, as well as between highway and transit projects, a State DOT or MPO may assume a lower or higher rate based on circumstances. Inflation assumptions should be documented in the financial plan. It is important to note that the four percent inflation rate applies only to "planning/programming-level" cost estimates. As projects advance through project development to construction, these "planning/programming-level" assumptions should be replaced by more recent and rigorous cost estimation performed by project sponsors, consistent with appropriate project documentation. For projects estimated to cost over $100 million (major projects), the cost estimate information developed in accordance with FHWA's major project requirements (see question and answer number twelve for more information on major projects.)
We recognize that developing and applying cost inflation rates is not an "exact science." Several sources are available for States and MPOs to utilize in forecasting highway and transit capital, operations and maintenance costs including construction cost indices, the consumer price index, and State and local project cost histories. National resources such as www.economy.com, local universities, and Engineering News Record may also be used.

7. What are some possible approaches for developing cost estimates for financial plans and projects/project phases reflected in the STIP/TIP?

Capital costs can be based on historical costs for projects of comparable scale and design. Cost forecasts may be established in a number of ways. For example, capital costs can be based on historic costs for: (a) an interchange; (b) new construction on new rights-of-way; (c) structure (number, type, and deck square footage (area) for various structure types); (d) transit vehicles for rolling stock procurement; or (e) widening and/or reconstruction, based on the extent of the project. Information from more detailed project cost estimates can be used, if it is available.

O&M costs can be based on historic data applied on a per-lane mile and functional classification basis or an annual lump sum basis. For bridges, O&M costs might be based on historic data on a per-square foot of bridge deck area basis. Transit operating costs can be estimated by general mode type on a revenue-mile or passenger-mile basis.

Major transit capital projects (e.g. New Starts) can be estimated during planning from data collected in FTA's Standard Cost Categories. Transit agency O&M cost estimates should be consistent with and based upon recent trends as reported by regional transit agencies and transportation service providers in the National Transit Database. The operating costs should be inflated through the period of the TIP and STIP, and include additional operating costs necessary for any proposed transit system expansions that are listed in the TIP and STIP.

The increasingly refined cost estimates prepared during project development should be incorporated into the project information contained in the TIP/STIP as well as the underlying financial plans, when the TIP/STIP are updated.

8. Do changes in revenue sources after the metropolitan transportation plan, TIP, or STIP are adopted automatically nullify and void the FHWA/FTA fiscal constraint determination?

No. In cases where FHWA/FTA find a STIP, metropolitan transportation plan, or TIP to be fiscally constrained and a revenue source is subsequently removed or substantially reduced (e.g., by legislative or administrative actions), FHWA/FTA will not withdraw the original determination of fiscal constraint. However, in such cases, FHWA/FTA will not act on an updated or amended STIP, metropolitan transportation plan, or TIP that does not reflect the changed revenue situation [see 23 CFR 450.216(o), 23 CFR 450.322(f)(1)(viii), and 23 CFR 450.324(o), respectively].

9. What tools exist on cost estimation and management for "pre-construction" (i.e., transportation planning and programming) phases?

National Cooperative Highway Research Program (NCHRP) Project 08-49 (*Procedures for Cost Estimation and Management for Highway Projects During Planning, Programming, and Preconstruction*) resulted in a comprehensive guidebook on highway cost estimation management and project cost estimation procedures aimed at achieving greater consistency and accuracy between long-range transportation planning, priority programming, and preconstruction cost estimates. The completed guidebook, entitled *Guidance for Cost Estimation and Management for Highway Projects During Planning, Programming, and Preconstruction* (NCHRP Report 574), is available from the Transportation Research Board's website at http://onlinepubs.trb.org/onlinepubs/nchrp/nchrp_rpt_574.pdf.

Additional processes, methods, and tools focused on right-of-way (ROW) cost estimation and management to complement the NCHRP Report 574 currently are being developed. Entitled NCHRP Project 08-49(2), *Right-of-Way (ROW) Methods and Tools to Control Project Cost Escalation*, the objectives of this research effort are to: (a) refine ROW-related cost estimating and the management processes that support ROW cost estimating; (b) develop ROW-based methods and tools, focused especially on those used in the planning phase of project development; and (c) provide specific guidance on how to implement those strategies, methods, and tools related to ROW cost estimating and estimate management for projects. This report is expected to be available from TRB in the second half of calendar year 2009.

The National Transit Database (NTD), maintained by FTA, contains a wealth of statistics on the transit industry. Over 650 transit agencies and authorities file annual reports with FTA for inclusion in the NTD. The reported data consist of selected financial and operating data that describe public transportation characteristics. The NTD is a valuable resource that can assist in developing cost estimates for public transit during the transportation planning process. A tool to manipulate and analyze NTD data is available at http://www.ftis.org/. Though developed to help assist transit agencies in Florida, the Integrated National Transit Database Analysis System contains NTD data from all reporting agencies nationwide, which can be helpful in developing peer transit system profiles for comparison to an existing an/or planned future expanded system.

Also, FTA is currently developing guidepost cost data on components of major capital transit investments (e.g., New Starts), based upon projects implemented to date and projects currently in project development. This summary-level data can assist planners in estimating costs of major capital transit investments for planning documents. These summary project cost data will be available online at www.fta.dot.gov/planning/metro/guidance.

Highway and Transit Operations and Maintenance (O&M)

10. To what extent must highway and transit O&M be reflected in the STIP, metropolitan transportation plan, and TIP?

For purposes of transportation systems O&M, the financial plans and financial information that support the metropolitan transportation plan, TIP, and STIP shall include financial information containing systems-level estimates of costs and revenue sources that are reasonably expected to be available to adequately operate and maintain Federal-aid highways (as defined by 23 U.S.C. 101(a)(5)) and public transportation (as defined by 49 U.S.C., Chapter 53) [see 23 CFR 450.216(m), 23 CFR 450.322(f)(10)(i), and 23 CFR 450.324(h), respectively].

Systems-level cost and revenue planning estimates for O&M will be more general than estimates for individual projects. For the financial plan that supports the TIP, the MPO may rely on the system-level information contained in the financial plan that supports the metropolitan transportation plan in developing four-year "snapshot" estimates of O&M funding sources and costs. For the non-metropolitan portions of the STIP, the State DOT may utilize other documents (e.g. the long-range statewide transportation plan and/or other State DOT budget information) to provide this system-level information for the time period covered by the STIP. O&M involving local and/or State funds may be shown in the applicable financial plan as a "grouped line item."

In addition, there is a longstanding Federal requirement that States properly maintain, or cause to be maintained, any projects constructed under the Federal-aid Highway Program (see 23 U.S.C. 116) and FTA's Financial Capacity Policy holds public transit operators to similar requirements[1]. FHWA/FTA do not specify at what level a transportation project or system must be maintained and operated for purposes of estimating necessary revenues and costs for the financial plan for the STIP, TIP, or metropolitan transportation plan, associated with operating and maintaining the system. Where applicable, this is left to the State, MPO, transit operator, and local decision making processes.

Innovative Finance, Flex Funds, Advance Construction (AC), and Public-Private Partnerships (PPPs)

11. To what extent must innovative finance mechanisms and Federal funds transfers between programs be reflected in the STIP, metropolitan transportation plan, and TIP?

Both public and private sources of funding are to be reflected in the financial information and financial plans that support the STIP, metropolitan transportation plan, and TIP. Among the financing techniques[2] to be included in the financial plans (to the extent they are utilized) are:

- Tolls and pricing;
- Grant Anticipated Revenue Vehicles (GARVEE bonds) and/or Grant Anticipation Notes (GANs);
- State Infrastructure Banks (SIBs); and
- Transportation Infrastructure Finance and Innovation Act (TIFIA) credit assistance;
- Private Activity Bonds (PABs);
- Public/Private Partnerships (PPPs).

Moreover, cash management techniques (e.g., AC, tapered match, flexible match, and toll credits) are to be reflected in the financial plans.

The fiscal constraint demonstration for projects supported by transfers of Federal flexible funds should be based on the original ("pre-flex") funding source. Furthermore, it is important that the fiscal constraint demonstration for other projects supported by the pre-flex funding programs take the flexible fund transfer into account.

(a) To what extent must Advanced Construction (AC) be shown in the STIP/TIP?

The two key actions governing AC projects are:

1. Prior to Federal authorization of a project as AC, the project must be included in the Federally-approved STIP [see 23 CFR 630.705]. The project will be demonstrated as supporting the fiscally constrained element of the STIP using all or some combination of State, local and private funds. The financial limit on the amount of AC is set by the State's or MPO's ability to demonstrate fiscal constraint of the STIP or TIP respectively.

2. Generally, when an AC project is converted to a federally funded project, the STIP will document the full or partial conversion of the project as an individual project or as part of a project grouping. This project or group of projects needs to meet all STIP/TIP requirements, including the indication of the Federal funding category (ies) that are intended to be used for the conversion. Fiscal constraint must be demonstrated for the individual categories of Federal-aid funds. The amount of conversion is limited by the amount of apportioned Federal-funds available in the category to be converted and the amount of obligation authority available at the time of the conversion. As with any project, it should be noted that the State is not locked into the category of funds identified in the approved STIP/TIP. However should the approved AC "conversion" substantially change the current STIP/TIP's fiscal constraint determination; the STIP/TIP may need to be amended. The fiscal constraint determination should be supported by showing the individual project or group of project conversions in the STIP/TIP or by showing the total amount and source(s) of Federal funds to be converted as part of the financial plan for the STIP/TIP.

(b) How should GARVEE/GAN debt service be reflected in the STIP, metropolitan transportation plan, and TIP?

For a GARVEE- or GAN-funded project, the Federal share of the debt-related costs (e.g., interest and principal payments, associated issuance costs, and ongoing debt servicing expenses) anticipated to be reimbursed with Federal-aid funds over the life of the bonds should be designated as AC in the transportation plan/program document showing GARVEE/GAN bond proceeds as the revenue source.[3] In the case of projects taking advantage of the new Debt Service Reserve reimbursement capability, the same process should be followed, but including immediate repayment of the debt service reserve in the first year of the debt.

(c) How should "public-private partnerships" (PPPs) be treated in the STIP, metropolitan transportation plan, and TIP?

Like any other transportation project, the funding sources associated with financing a PPP project generally are to be "reasonably expected to be available." The exception is the first two years of the TIP and STIP in air quality nonattainment and maintenance areas, in which projects shall be limited to those for which funds are "available" or "committed" (see 23 CFR 450.104 for the definitions of these terms). A PPP project may be "reasonable" if there are clear expressions of support by the Governor and/or other appropriate local/regional decision makers and a strategy exists for securing necessary approvals within the time period for implementing the affected project(s). Other indictors of "reasonableness" for PPP projects are if a State or local jurisdiction has had past success in implementing PPP's, and if State enabling legislation is in place, or if efforts are underway to enact State enabling PPP legislation and there is evidence of support by the Governor and/or legislature. There should also be interest in the project from the investment community.

PPP projects often are undertaken to supplement conventional procurement practices as a way to achieve cost and time efficiencies and expand funding sources, thereby reducing demands on constrained public budgets. Some of the funding sources used to support PPPs include: (a) shareholder equity; (b) grant anticipation bonds/notes (GARVEEs and GANs); (c) revenue and general obligation bonds; (d) private activity bonds; (e) bank loans; (f) SIB loans; (g) TIFIA credit assistance; (h) direct user charges (tolls and transit fares) leveraged to obtain bonds; (i) normal Federal-aid formula funds; and (j) other public agency dedicated revenue streams made available to a private franchisee or concessionaire (e.g., leases, direct user charges from other tolled facilities, and shadow tolls).

Additional information on new PPP approaches to project delivery can be obtained online at www.fhwa.dot.gov/ppp/index.htm. Additional information on these financing approaches and tools is available online from the American Association of State and Transportation Officials at http://www.InnovativeFinance.org.

(d) How should tolling/pricing strategies be treated in the metropolitan transportation plan, TIP, and STIP?
The following considerations should be kept in mind:

1. While tolling/pricing may be a means to pay back a variety of funding mechanisms (e.g. bond measures, private equity, and State revenues), toll revenues are usually used in combination with other fund sources.

2. The existence of State enabling legislation allowing a State and/or a locality(ies) to pursue alternative funding through the use of tolling and/or PPPs is a key first step in determining fiscal constraint "reasonableness," particularly for the metropolitan transportation plan.

Knowing the parameters or rules for the new tolling or pricing provisions also is important.

For example:

- How much funding is available each year through the proposed program?
- Can the tolling/pricing provisions only be used in certain corridors or municipalities?
- Are tolling/pricing provisions only available for a specific type of project?
- Is Federal authority required for the tolling?

(e) How should TIFIA be treated in the metropolitan transportation plan, STIP, and TIP?

The TIFIA statute conditions a project's receipt of TIFIA assistance on the project's satisfaction of all applicable planning and programming requirements. That includes inclusion in the applicable long range transportation plan and the STIP/TIP.

The TIFIA project has to be fiscally constrained to be included in the applicable STIP, TIP, and metropolitan transportation plan with funds reasonably expected to be available. For projects in the first two years of the STIP/TIP in metropolitan non-attainment and maintenance areas, funds for the project must be available and committed. TIFIA loans would typically be shown in the STIP/TIP as one of several revenue sources for the project. The financial plan for the STIP/TIP and the metropolitan transportation plan should also show the repayment for a TIFIA loan.

(f) How should Private Activity Bonds (PABs) be treated in the metropolitan transportation plan, TIP, and STIP?

These bonds should be shown in the STIP/TIP and transportation plan as a revenue source when used in combination with other funds on a Title 23 eligible project. Since repayment of principle and interest on the PAB is the responsibility of the private developer/operator of the project, repayment of the PAB does not have to be shown in the TIP, STIP, or metropolitan transportation plan or the accompanying financial plan to the TIP, STIP or MTP.

Other Issues

12. What is the connection between financial plans that support statewide and metropolitan transportation plans and programs and financial/funding information for FHWA major highway projects and FTA major capital investment projects?

Financial plans that support the metropolitan transportation plan and TIP include revenues from public and private sources that are reasonably expected to be available to carry out the metropolitan transportation plan and TIP, and include any additional financing strategies needed for projects and programs [see 23 CFR 450.322(f)(10) and 23 CFR 450.324(h), respectively, for additional details]. However, more detailed project-level financial plans must be prepared and updated annually for individual highway projects with an estimated total cost of $100 million or more [SAFETEA-LU Section 1904] and FTA major capital investment (New Starts) projects. Financial plans for projects with an estimated total cost of $500 million or more have to be approved by FHWA. These project-specific financial plans contain specific cash flow information.[4] While the financial plans used in metropolitan transportation planning and statewide transportation planning are different from those developed for "big ticket" highway and transit projects, their underlying assumptions (e.g. local economic conditions; future inflation rates; revenue sources, growth rates, and yields based upon population and employment projections) should be consistent. The project-specific cash flow schedule information from a project-specific financial plan can serve as a valuable resource on annual levels and sources of revenues for developing the financial plans and financial information that support the metropolitan transportation plan, TIP, and STIP. Furthermore, a Full Funding Grant Agreement (issued for FTA New Starts projects) should be referenced in the STIP/TIP and accompanying financial plans as it establishes the maximum Federal share and payout schedule for a FTA New Starts project. Project-level financial information that is refined during project development should be incorporated into the TIP/STIP and their underlying financial plans when the TIP and STIP are updated.

13. When might cost bands be utilized in the financial plan for the metropolitan transportation plan?

For the outer years of the metropolitan transportation plan (i.e., beyond the first 10 years), the financial plan may reflect aggregate cost bands, as long as the future funding sources necessary to pay for these costs are reasonably expected to be available to support the upper limit of the projected cost bands (23 CFR 450.322(f)(10)(v)).

Cost bands are useful where there is significant potential for uncertainty and risk. Some projects in the second 10-years of a metropolitan transportation plan might fall into this category, particularly larger projects. Risks and uncertainties may result from cost escalation (materials and labor), construction unknowns (unknown site conditions), uncertain environmental mitigation, unknown right-of-way needs, contractor risk and other causes. A cost band is a potential range of project costs that considers these and other risks and other potential uncertainties. A cost band can help convey the uncertainty of an estimate for a project and help educate other parties (such as the public and elected officials) who may not be intimately familiar with the project about cost variability. The use of cost bands in the second ten years of the metropolitan transportation plan can help avoid misleading the public or others with a false sense of precision.

The use of cost bands does not avoid the requirement to show fiscal constraint. Revenues necessary to meet the outer (upper) band of the cost band in the financial plan must be "reasonably expected to be available." All necessary financial resources from public and private sources that are reasonably expected to be available to carry out the upper band(s) of the cost band(s) shall be identified. In the case of new funding sources, strategies for ensuring their availability shall be identified [see 23 CFR 450.322(10)(v)].

III. Additional Information and Resources:

The National Transit Institute (NTI) course *Financial Planning in Transportation* addresses topics such as transportation plan and program revenue projections, cost estimates, and fiscal constraint "reasonableness." Additional information on this course can be obtained on-line from NTI at http://www.ntionline.com/CourseInfo.asp?CourseNumber=ID811.

FHWA and FTA are collecting and sharing examples and case studies of noteworthy fiscal constraint practices and financial plans that support metropolitan transportation plans, TIPs, and STIPs, and posting them online via the FHWA/FTA Transportation Planning Capacity Building Program website at http://www.planning.dot.gov.

1 Financial Capacity Certifications may be utilized to fulfill the requirement for demonstrating transit operators' ability to operate and maintain their systems. FTA Circular C 7800.1A - "Financial Capacity Policy" requires FTA grantees to certify their ability to: a) operate and maintain current assets, b) operate and maintain new projects listed in the TIP/STIP, and C) maintain the same level of service during a 20-year period, or a single equipment replacement cycle. These self-certifications are subjected to FTA review during STIP approval and, subsequently, at the time of grant application. Circular C 7800.1A also calls for Unified Planning Work Programs to include "...development of analytical revenue and cost forecasting techniques needed to assess financial capacity..."

2 Additional information on innovative financing techniques include: FHWA Innovative Finance Guidance (www.fhwa.dot.gov/innovativefinance/ifguidnc.htm); FHWA Innovative Finance Primer (http://www.fhwa.dot.gov/innovativefinance/ifp/index.htm); TIFIA Credit Program (http://tifia.fhwa.dot.gov); and Innovative Financing Techniques for America's Transit Systems (http://www.fta.dot.gov/funding/finance/grants_financing_3530.html).

3 Prior to project authorization, "AC" projects must be identified in a fiscally constrained TIP and/or STIP. At the programming stage, the MPO and/or State needs to document, by year, the revenues necessary for the AC project, including the amount of Federal funds available for obligation sufficient to fund the estimated costs that will be incurred on all projects on a Federal fiscal year basis. This would include previously authorized AC projects that are not fully obligated.

4 Additional information on financial plans for major highway projects is available at http://www.fhwa.dot.gov/programadmin/mega/ while additional information on financial plans for FTA major capital investments is available at http://www.fta.dot.gov/planning/newstarts/planning_environment_1336.html.

2034 WORKING GROUP AGENDA FOR

WEDNESDAY, JUNE 3, 2009 MEETING

NAVIGATING THE FUTURE: HAMPTON ROADS 2034 LONG-RANGE TRANSPORTATION PLAN

The 2034 Working Group will meet immediately following the Transportation Technical Advisory Committee (TTAC) meeting, at the Hampton Roads Transportation Planning Organization (HRTPO), 723 Woodlake Drive, Chesapeake, VA 23320. Estimated start time for Working Group meeting is 11:30am.

Agenda:

1. Public comments.

No public comments.

2. **Review of survey results to date.**

A survey for the 2034 LRTP was initiated in April. Surveys are still being collected but a summary of results to date will be provided.

Responses to open-ended questions were requested by the group; pdf of responses emailed to work group on 6/4/09. Suggested that questions regarding the funding of projects will need to be included in a survey at some point.

3. **Candidate projects.**

Materials for the submittal of 2034 LRTP candidate projects will be provided.

George Brisbin suggested that maintenance for bridges and tunnels needs to be addressed by the region and that TPO staff need to include a Downtown Tunnel project.

4. **2030 LRTP amendments**

The work being initiated for amending the 2030 LRTP and its benefits to the 2034 LRTP process will be reviewed.

Questions about the inclusion of tolls in the LRTP were raised.

5. **Next meeting.**

The next meeting is scheduled for Wed., August 5, 2009 following TTAC.

It is possible that the August TTAC will not meet but the August 5 date was kept as the tentative date of the next meeting, though it could change to another date in August. TPO staff didn't want to put the meeting off until September.

Summary of April 1, 2009 2034 working group meeting is attached.